

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1010-01  
Bill No.: HB 672  
Subject: Retirement–State; Retirement Systems & Benefits–General  
Type: Original  
Date: March 2, 2001

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Various State Funds	(\$8,005,670)	(\$8,205,812)	(\$8,410,957)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$8,005,670)</b>	<b>(\$8,205,812)</b>	<b>(\$8,410,957)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 3 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials with the **Joint Committee on Public Employee Retirement** indicate that the legislation represents a “substantial proposed change” in future plan benefits. As such, an actuarial cost statement is required prior to final action on the legislation by either legislative body or committee thereof.

Officials with the **Office of Administration** indicate that the affected retirement systems should determine the potential cost of the proposal.

Officials with the **Highway & Transportation Employees' and Highway Patrol Retirement System (HRS)** assume the proposal will raise the benefit under the Missouri State Employees' Plan (MSEP, or the “closed plan”) for Department of Transportation (MoDOT) and civilian Missouri State Highway Patrol (MSHP) employees from 1.6% to 1.7% multiplied by the number of years of service. Uniformed MSHP employees will receive an increase in the multiplier from 2.13% to 2.267%. The system obtained an actuarial report based on the proposal, and assumes annual contributions to the plan will be increased as follows:

MoDOT	\$5,307,740
MSHP	
Non-Uniformed	\$943,650
Uniformed	<u>1,754,280</u>
	<u>2,697,930</u>
Total	<u>\$8,005,670</u>

These figures represent an increased contribution rate of 2.33% for MoDOT and non-uniformed MSHP employees (total payroll: \$268 million), and 3.96% for uniformed MSHP (total payroll: \$44.3 million).

Officials with the **Missouri State Employees' Retirement System (MOSERS)** assume the proposal will raise the benefit formula under the MSEP from 1.6 to 1.7% for all active, terminated-vested, and retired members of the Elected State Officials Plan. The provision would only apply to elected officials who retire with less than 12 years of service. MOSERS notes that it is unlikely any such officials would retire under the closed plan, since the existing Missouri State Employees' Plan 2000 (MSEP 2000) provides a 4.17% benefit formula to the affected employees. As such, MOSERS assumes no impact from this proposal; an actuarial cost study obtained by the system indicates that the required contribution would not change under the proposal from the current 11.59% of pay.

MOSERS points out that the increased benefits for MoDOT and highway patrol employees would likely prompt similar legislation to increase the benefit formula for MOSERS employees

ASSUMPTION (continued)

in the MSEP. If the 1.7% benefit formula was extended to that group, the annual contributions required for the system would increase by \$16.2 million.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>VARIOUS STATE FUNDS</b>			
<u>Costs--MoDOT, MSHP</u>			
Increased HRS Contributions	<u>(\$8,005,670)</u>	<u>(\$8,205,812)</u>	<u>(\$8,410,957)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill increases the annuity factor for the Highway and Transportation Employees' and Highway Patrol Retirement System and for elected state officials, except members of the General Assembly, from 1.6% to 1.7%.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement  
Office of Administration  
Missouri State Employees' Retirement System  
Highway & Transportation Employees' and Highway Patrol Retirement System



Jeanne Jarrett, CPA  
Director

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